DEAR BARON INTERNATIONAL GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron International Growth Fund (the "Fund") retreated a modest 1.03% (Institutional Shares) for the third quarter of 2019, while its principal benchmark index, the MSCI ACWI ex USA Index (the "Index"), declined 1.80% for the quarter, and the MSCI ACWI ex USA IMI Growth Index declined 0.91%. The Fund has comfortably exceeded both indexes for the year-to-date period. During the quarter, international and emerging market ("EM") equities underperformed their U.S. counterparts, while remaining hostage to an uncertain geopolitical and trade outlook as well as tepid global economic growth. A supporting factor, global policymakers have marshalled considerable support, and we believe several countries capable of fiscal easing are currently evaluating such measures. Economic and market behavior suggests that for now, policymakers in aggregate remain "behind the curve," with the status of the U.S./China strategic and trade relationship, in our view, a critical variable in the near term. While investor perception of the likelihood of a compromise between the U.S. and China continues to oscillate, we think that some form of reconciliation is more likely than not in the near future, and we believe the associated market impact could be material depending on the scope of a compromise. From a longer-term perspective, we reiterate that we believe international and EM equities are likely bottoming on a relative return basis after a sustained period of underperformance. As always, we are confident that we have invested in many well-positioned and well-managed companies on a bottom-up basis, with the potential for attractive returns over the long term.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BIGFX
Institutional Shares: BINIX
R6 Shares: BIGUX

Table I.
Performance†
Annualized for periods ended September 30, 2019

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
Three Months[4]	(1.07)%	(1.03)%	(1.80)%	(0.91)%
Nine Months[4]	18.40%	18.62%	11.56%	15.65%
One Year	0.11%	0.35%	(1.23)%	0.97%
Three Years	7.67%	7.94%	6.33%	7.02%
Five Years	6.29%	6.55%	2.90%	4.83%
Ten Years	7.86%	8.14%	4.45%	5.91%
Since Inception (December 31, 2008)	10.30%	10.57%	7.19%	8.39%

For the third quarter of 2019, we outperformed our primary benchmark, the MSCI ACWI ex USA Index, while performing essentially in line with our all-cap international growth proxy. During the quarter, positive relative performance was driven by stock selection in the Consumer Discretionary sector, led by our investments in niche Brazil education companies, **Afya Limited** and **Arco Platform Limited**. **B&M European Value Retail S.A.**, a U.K.-based low-price retailer, also contributed in this sector. Strong stock selection and underweight exposure in the Financials sector also contributed to relative returns, led by **Banco Inter SA**, a recent Brazilian fintech share offering, and **Arch Capital Group Ltd.**, a leading reinsurance provider. Finally, positive stock selection effect in the Materials and Industrials sectors contributed modestly to relative performance. Partially offsetting the above, adverse stock selection in the Health Care sector detracted the most from relative performance, driven entirely by our biotechnology-related holdings, with **argenx SE**, **Abcam plc**, and **Zai Lab Limited** all posting negative returns. Investments in the Consumer Staples and Energy sectors also detracted modestly from relative performance during the quarter.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2018 was 1.34% and 1.07%, but the net annual expense ratio was 1.20% and 0.95% (net of the Adviser's fee waivers), respectively. The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The index performance is not Fund performance; one cannot invest directly into an index. The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. The MSCI ACWI ex USA Index Net USD measures the equity market performance of large- and mid-cap securities across developed and emerging markets, excluding the United States. The MSCI ACWI ex USA IMI Growth Index Net USD measures the equity market performance of large-, mid- and small-cap growth securities across developed and emerging markets, excluding the United States. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

2 The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

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From a country perspective, stock selection in Brazil contributed the most to positive relative performance, with the above-mentioned positions as well as **PagSeguro Digital Ltd.**, another fintech theme investment, driving returns. Stock selection in Germany and the U.K. also contributed positively. Offsetting a portion of the above, adverse stock selection effect in Japan and Norway, as well as our modest exposure to Argentina, detracted from relative performance.

Table II.
Top contributors to performance for the quarter ended September 30, 2019

	Percent Impact
Afya Limited	0.63%
Square Enix Holdings Co., Ltd.	0.39
RIB Software SE	0.28
PagSeguro Digital Ltd.	0.26
Arco Platform Limited	0.25

Afya Limited is the leading medical education group in Brazil, with 16 undergraduate and graduate campuses across 12 Brazilian states. Afya offers undergraduate and graduate courses as well as residency preparatory and specialization programs. Its stock was up in the quarter after the company's IPO. We find medical education in Brazil attractive due to limited supply/rapidly growing demand dynamics – Brazil is understaffed with doctors – and Afya's cross-selling opportunity with regard to residency preparatory and graduate programs suggests a long runway for growth.

Japanese video game company **Square Enix Holdings Co., Ltd.** delivered strong performance during the quarter after the successful launch of mobile title *Dragon Quest Walk*, which became one of the best-selling games worldwide and boosted market confidence in the company's previously lagging mobile division. We remain confident in Square Enix due to its deep pipeline of new launches to support its growth over the coming years.

Shares of **RIB Software SE** contributed to performance during the quarter after delivering growth that exceeded Street expectations in the company's cloud-based platform offerings. We think RIB is well positioned to continue converting users to its profitable cloud SaaS service and expanding into additional markets such as Asia. We remain confident that RIB is in the early innings of growth in a large construction software industry.

PagSeguro Digital Ltd. provides digital payment solutions to small and micro merchants in Brazil. Shares contributed to performance due to strong momentum in key performance indicators, including net client additions and average take rate. These indicators suggest the company is less susceptible to competition than feared. During the quarter, PagSeguro also announced strong traction in its recently launched banking offering, PagBank, which increases the company's addressable market and provides a new avenue for growth.

Arco Platform Limited is a Brazilian education technology company providing educational content and software solutions to K-12 private schools. It offers a one-stop shop for schools, replacing several publishing and system vendors. Shares of Arco contributed to performance, as the company continued executing on its platform strategy via two new acquisitions and made progress in gaining regulatory approval of the Positivo acquisition. We remain excited about Arco's long runway to continue disrupting the legacy book publishing industry with its modern digital learning platform.

Table III.
Top detractors from performance for the quarter ended September 30, 2019

	Percent Impact
argenx SE	–0.44%
Golar LNG Ltd.	–0.35
NEXON Co., Ltd.	–0.30
Wix.com Ltd.	–0.24
YPF S.A.	–0.23

argenx SE is a Dutch biotechnology company dedicated to developing biologics to treat immunological disorders and cancer. Weak performance in the quarter was due to a lack of catalyst flows and some reversion to the mean as growth stocks traded down. We believe that argenx's FcRn platform is one of the most valuable assets in the biotechnology development space, and we retain conviction.

Golar LNG Ltd. owns and operates a fleet of liquefied natural gas ("LNG") vessels and Golar Hilli, the world's first floating liquefaction unit ("FLNG"). Shares fell due to weakness in the LNG shipping market. After Hilli's successful proof of concept, we expect Golar to convert more of its old vessels into FLNGs at potentially attractive returns, and capture a larger portion of the LNG supply chain over time. We believe Golar is trading below its asset value and can create significant equity value with its FLNG projects, Golar Power projects, and spinoff of its shipping unit.

Shares of **NEXON Co., Ltd.**, a Japanese video game publisher of online games for PC and mobile, declined during the quarter due to weak performance of its key PC video game, *Dungeon Fighter*, in China. The lack of major releases also weighed on investor sentiment. We retain conviction in NEXON's long-term successful track record of game development and believe that the stock will re-rate in the upcoming quarters from new growth drivers through new titles.

Wix.com Ltd. provides an operating system to help micro-businesses build and maintain websites and operate their businesses. Wix has over 145 million registered users and over 4 million premium users. Shares detracted as the market rotation out of growth and internet stocks weighed on performance. We retain conviction in Wix as it expands its platform to target professional website builders and agencies in addition to do-it-yourself customers, increasing its total addressable market multi-fold while continuing to rapidly introduce new features and products.

YPF S.A. is an integrated oil & gas company focused on developing hydrocarbon fields in Argentina. Shares of YPF declined during the quarter after an opposition party candidate won primary elections by a surprisingly large margin. Election results led to significant devaluation of the local currency and expectations of significant deterioration in macro-economic conditions. We sold our shares in the company, given the greater uncertainty about the investment climate and the policy path on fuel prices.

Portfolio Structure

Table IV.
Top 10 holdings as of September 30, 2019 – Developed Countries

	Percent of Net Assets
RIB Software SE	2.7%
AstraZeneca PLC	2.5
Constellation Software, Inc.	2.3
Takeda Pharmaceutical Company Limited	2.1
argenx SE	1.8
Trainline Plc	1.8
Linde Public Limited Company	1.8
Experian plc	1.7
Keyence Corporation	1.6
B&M European Value Retail S.A.	1.6

Table V.
Top five holdings as of September 30, 2019 – Emerging and Frontier Countries

	Percent of Net Assets
Afya Limited	2.3%
Arco Platform Limited	1.6
Petroleo Brasileiro S.A. Petrobras	1.4
Copa Holdings, S.A.	1.3
Zai Lab Limited	1.2

Table VI.
Percentage of securities in developed markets as of September 30, 2019

	Percent of Net Assets
United Kingdom	14.5%
Japan	12.9
France	7.9
Germany	5.8
Canada	4.6
United States	3.9
Netherlands	3.6
Spain	3.1
Switzerland	2.6
Israel	2.4
Ireland	2.2
Norway	2.1
Australia	1.3
Sweden	1.1
Belgium	0.9
Finland	0.5

Table VII.
Percentage of securities in emerging and frontier markets as of September 30, 2019

	Percent of Net Assets
China	9.4%
Brazil	8.2
India	5.8
Panama	1.3
Russia	1.1
Korea	0.7
United Arab Emirates	0.7
Argentina	0.5
Indonesia	0.5
Mexico	0.3
Nigeria	0.0

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. At the end of the third quarter, the Fund's median market cap was $9.9 billion, and we were invested 52.7% in large- and giant-cap companies, 33.5% in mid-cap companies, and 11.7% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

In recent quarters, we have endeavored to increase our position concentration with an emphasis on quality and compound return potential, while reducing the overall number of investments in the portfolio. Further, given the increasing unpredictability of foreign policy and geopolitical events, we have attempted to moderate our exposure to companies whose earnings could be directly disrupted by an escalation of the U.S./China trade dispute, as well as de-emphasize themes and investments with higher sensitivity to macro-driven conditions or events. While our portfolio turnover to date modestly exceeds historical levels, this is deliberate and temporary, and during the third quarter, we made 6 new investments while exiting 14. On the margin, we hope to reduce our total number of positions further, largely by eliminating smaller positions and adding to our higher conviction long-term investments.

In moving towards a more concentrated portfolio, we added to several of our existing best-in-class developed world growth investments during the quarter, such as **FANUC Corp.** and **KOSÉ Corporation** of Japan; and **Industria de Diseno Textil, S.A.** ("Inditex/Zara"), **Eurofins Scientific SE**, **Vivendi SA**, **Julius Baer Group Ltd.**, and **Symrise AG** of Europe. In addition, we initiated a position in **CyberAgent, Inc.**, a leading digital marketing and media firm in Japan. CyberAgent operates an established digital advertising agency as well as a large gaming platform. While these businesses have solid market positions and attractive long-term growth potential, we initiated an investment based on the potential success of Abema TV, an emerging online video content platform in which the company has been aggressively investing, and which appears poised for an acceleration of active user growth and monetization in coming years. We define "Best-in-class" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital and lower leverage that are leaders in their respective markets. Note that this statement represents our opinion and is not based on a third-party ranking.

During the quarter, we added most significantly to our investments in Brazil, initiating positions in **Afya Limited**, **Azul S.A.**, and **Banco Inter SA**, one of which was via an initial public offering. Afya is the leading medical education group in Brazil with 16 undergraduate and graduate campuses across 12 Brazilian states, while a pipeline of additional approvals has secured growth visibility for multiple years. Afya has transformed its industry through a unique technology platform and earns tuition fees from both undergraduate and graduate students, while also offering residency preparatory courses and continuing education programs through an online platform. While Afya is the industry leader, we believe it is still early in consolidating the market with an approximate 4% market share as of the company's recent IPO listing. The medical education market in Brazil is attractive as demand for doctors far exceeds constrained supply, driving pricing power for Afya well in excess of inflation. We believe Afya will add capacity and expand service offerings, and is well positioned to deliver earnings growth and value creation.

Azul is a leading low-cost airline operator in Brazil. Founded in 2008 by JetBlue founder David Neeleman, Azul is one of the world's most profitable airlines, with attractive long-term competitive advantages and many years of growth potential ahead. Azul has transformed Brazil's air traffic industry, focusing on secondary markets where it often is the sole operator, thereby creating new routes that have never existed, tapping into latent, pent-up demand, and gaining share from alternative modes of transportation. Further, unlike its principal domestic competitors, the company has the balance sheet strength to consistently invest in fuel efficient, modern aircraft which drives capacity and revenue expansion while reducing unit costs. While the investment case is attractive on its surface, we believe the recent shutdown of Avianca Brazil, a former local competitor with a 13% domestic share, and the recently announced air cargo agreement with **MercadoLibre, Inc.,** the country's leading e-commerce operator, are likely to accelerate the rate of operating margin expansion and earnings growth in the near term. Finally, we participated in the share offering of Banco Inter during the quarter, adding to our fintech/financial disruption theme and building on our existing investment in PagSeguro Digital Ltd. in the dynamic and attractive Brazilian fintech market. We have suggested that Brazil represents one of the most attractive markets for innovative cloud/internet-based, financial services and payment providers given the concentrated and high-cost oligopoly of legacy players that currently extract high fees and are vulnerable to disruption. Banco Inter began as a traditional bank, specializing in consumer-based loans. In recent years, the company has pivoted to an online retail strategy, offering free online checking accounts, as well as credit cards and other credit products, a menu of investment alternatives, and will soon launch a "superapp" to provide other non-bank services to its customers. Banco Inter is growing users at a fast pace due to its attractive products (i.e., zero cost deposits) and very high customer ratings (NPS score), driving low and attractive customer acquisition costs. In our view, Banco Inter's technology and data analytics engine, low-cost position, growing brand equity, and lead-time to market suggest a material competitive advantage in an early-stage and potentially huge market.

During the quarter, we exited several positions where a potential deterioration in operating fundamentals, rising competition, or adverse change in the regulatory environment led to declining conviction on our part, such as **TCS Group Holding PLC**, **Fresenius Medical Care AG and Co. KGaA**, **Mercari Inc.**, **China Tower Corporation Limited**, **Domino's Pizza Enterprises Ltd.**, and **YPF S.A.**

Outlook

In our second quarter letter, we stated that while this year's pivot to central bank accommodation, led by the U.S. Federal Reserve, was a clear support for global equities as well as international and EM economies and currencies, geopolitical and foreign policy risks remained heightened and could overwhelm such accommodation as the year progressed. Further, we suggested that the cadence of the strategic and trade confrontation between the U.S. and China remained the most important variable for the near-term outlook for global and international equity performance. Three months have passed, and investors basically remain on the same treadmill while international and EM equities have spent much of the year consolidating in a broad trading range following a recovery in January. Like last quarter, rising expectations of a U.S./China trade compromise were dashed in early August as the U.S. accused China of failing to honor a good faith commitment to purchase soybeans, and then immediately scheduled tariffs on the remaining $300 billion of imported goods from China. This sparked a series of tariff and non-tariff escalation and hostile rhetoric on both sides: "Wash, Rinse, Repeat." The brief period of respite that followed as trade negotiators agreed to meet in October was punctured in the final days of the quarter by the Trump administration's threat of capital controls on U.S.-listed Chinese equities. All of the above injected uncertainty and contributed to fears of a global recession, as global equities ended the third quarter toward the low end of this year's trading range.

While the environment remains volatile and stocks appear hostage to such headlines, we see the recent rhetoric as a likely precursor to a compromise. First, we believe it is increasingly clear that extending tariffs further, particularly to the core of U.S. consumer goods that comprise the final $300 billion bucket, would likely exert more harm on U.S. corporations and consumers than on China, while doing so would likely trigger further RMB depreciation, leaving U.S. constituents as the predominant losers. Second, further restricting the flow of high-technology components and semiconductors to China/Huawei will cause material disruption across the U.S. and global technology sector. Third, and perhaps most important as we near the Presidential election window, we believe it is critical for President Trump to fortify the midwestern vote, likely in the form of a massive soybean purchase commitment from China, as the midwestern swing states are likely to drive the 2020 election outcome. Finally, a year after China began a broad stimulus campaign, recent negative economic surprises appear more significant in the U.S. than in China or elsewhere. U.S. equities and the dollar have recently begun to underperform international counterparts, suggesting to us that it is an opportune time for the U.S. to reach a compromise. We reiterate that international economies and equities are substantially more sensitive to China's economic cycle and growth outlook than the U.S. is, and as such would likely benefit most from such a compromise.

While policy and politics are unpredictable, we view the window for a pre-election trade deal as the next three to six months. Should any such deal be announced, we believe investors' perception that global policymakers remain "behind the curve" would likely shift and begin to discount an improving global economic outlook–with particular benefit to international and EM economies, currencies, and equities. In addition, Germany, with perhaps the greatest capacity for fiscal easing of any major economy given its large surplus, has recently suggested it is considering a substantial fiscal expansion in order to cushion the impact of a material slowdown of its exports to the rest of Europe and China. If Germany were joined by the U.S. and China, which also have perceived incremental fiscal expansion capacity, with India having recently introduced its own major tax cut, we believe the global growth outlook would marginally improve, with significant implications for equity returns and market leadership.

Despite the difficult geopolitical backdrop, several pockets of the international universe and our portfolio have exhibited solid performance and give us cause for optimism. In the U.K., new Prime Minister Boris Johnson's threats of a "hard" Brexit have resulted in a law that would precisely prohibit such a move without a further delay period; the implication being that the odds of a "hard" Brexit have been reduced in recent weeks while the odds of new Parliamentary elections or a new Brexit referendum are rising. Negotiations with Europe regarding a more managed Brexit have also recently resumed, though with little progress thus far. Meanwhile, our view expressed in last quarter's letter that many domestic-facing U.K. businesses carried modest expectations and offered discounted valuations, while a worst-case Brexit outcome was at least partially priced in, appears accurate. U.K. equities and the pound have staged a modest recovery as the odds of the downside scenario declined. As we moved to an overweight position in recent months, our U.K.-based investments outperformed in the third quarter. Brazil remains the standout international jurisdiction, in our opinion, as policy initiatives such as Social Security and other fiscal reforms as well as a mass privatization agenda have materially enhanced the sovereign credit profile, reduced inflation expectations and interest rates, and driven material upgrades in earnings expectations. We believe Brazil is now transitioning from a macro-driven to a bottom-up stock pickers' market, where select companies will achieve attractive earnings growth in coming years. We maintain a large overweight position in Brazil at over four times that of our Index, which was approximately 2%.

We are also overweight India, at more than twice our Index's modest weight. Even though the lingering effects of last year's liquidity squeeze continue to plague economic and credit growth in the near term, we remain optimistic that during Prime Minister Modi's second term his policy agenda and reforms will likely provoke a virtuous investment cycle. During the quarter, several policy initiatives were introduced (the first since Modi's landslide re-election), the most significant of which was a large and unexpected corporate tax cut. We believe this signals a willingness to do "whatever it takes" to stabilize financial conditions and return to growth potential. As such, we think that our investments in India can enhance our returns in coming quarters.

Thank you for investing in the Baron International Growth Fund.

Sincerely,

Michael Kass

Michael Kass
Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio manager only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

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